



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

September 3, 2010

Norma Meza
Training Coordinator
NTMA Training Centers of Southern California
13230 Firestone Blvd., Unit A
Santa Fe Springs, CA 90670

Dear: Ms. Meza

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET06-0171 for the period November 1, 2005 through October 31, 2007.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758

Sincerely,
Original signed by

Stephen Runkle
Audit Manager

Enclosures

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NTMA TRAINING CENTERS OF SOUTHERN CALIFORNIA

Agreement No. ETo6-0171

Final Audit Report

For The Period

November 1, 2005 through October 31, 2007

Report Published September 3, 2010

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AUDITOR'S REPORT

Summary

We performed an audit of NTMA Training Center of Southern California's compliance with Agreement No. ET06-0171, for the period November 1, 2005 through October 31, 2007. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period June 22, 2009 through June 26, 2009.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$2,046,517. Our audit supported \$2,040,401 is allowable. The balance of \$6,116 is disallowed and must be returned to ETP. The disallowed costs resulted from one trainee who did not meet training hour requirements, and one trainee who did not meet post-training retention requirements. We also noted an administrative finding for the inaccurate reporting of trainee wage rates.

AUDITOR'S REPORT (continued)

Background	<p>Founded in 1968, National Tooling and Machining Association (NTMA) Training Centers of Southern California, is operated by an independent, nonprofit trust established by the Los Angeles Chapter of the National Tooling and Machining Association.</p> <p>This is the 27th Agreement between NTMA and ETP. Operating as the training arm of the machining industry in Southern California, and in partnership with ETP since 1983, NTMA has trained more than 7,000 workers. NTMA provides training to the employees of small and medium-sized machine shops who design and manufacture special tools and machines, dies, jigs, fixtures, gauges, and precision machined parts. Due to sustained growth and advanced technological changes in the metal trades in California, NTMA identified an ongoing shortage of trained machinists, operators, programmers, and other specialized machine-trade workers. Therefore, to meet standards of quality and production that companies demand, this Agreement provided for intensive hours of both theoretical and practical training in Advanced Technology, as well as Manufacturing and Management Skills.</p> <p>This Agreement allowed NTMA to receive a maximum reimbursement of \$2,096,424 for retraining 852 employees. During the Agreement term, the Contractor placed 832 trainees and was reimbursed \$2,046,517 by ETP.</p>
Objectives, Scope, and Methodology	<p>We performed our audit in accordance with <i>Government Auditing Standards</i>, promulgated by the United States General Accounting Office. We did not audit the financial statements of NTMA Training Centers of Southern California. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that NTMA Training Centers of Southern California complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.</p> <p>Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:</p> <ul style="list-style-type: none">• Trainees were eligible to receive ETP training.• Trainees received the minimum training hours specified per Chart 1 of the Agreement.

SCHEDULE 1 – Summary of Audit Results

- Trainees were employed continuously full-time with a participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of the 90-day retention period.
- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion

As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$2,040,401 of the \$2,046,517 paid to the Contractor under this Agreement is allowable. The balance of \$6,116 is disallowed and must be returned to ETP.

Views of Responsible Officials

The audit findings were discussed with Norma Meza, Training Coordinator, at an exit conference held on June 26, 2009 and by telephone on September 2, 2010. Ms. Meza agreed to bypass issuance of the draft report and proceed to the final audit report.

The issuance of your final audit report had been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning June 27, 2009 through the issue date of this final audit report. The interest waiver (adjustment) was \$353.56, which was deducted from the total accrued interest.

Audit Appeal Rights

If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence

SCHEDULE 1 – Summary of Audit Results

directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later.”

Stephen Runkle
Audit Manager

Fieldwork Completion Date: June 26, 2009

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No.ET06-0171 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

NTMA TRAINING CENTERS OF SOUTHERN CALIFORNIA

AGREEMENT NO. ET06-0171

FOR THE PERIOD

NOVEMBER 1, 2005 THROUGH OCTOBER 31, 2007

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$2,046,517</u>	
Disallowed Costs:		
Training Hours Requirement Not Met	3,058	Finding No. 1
Post-Training Retention Requirement Not Met	3,058	Finding No. 2
Inaccurate Wage Reporting	<u>-</u>	Finding No. 3
Total Costs Disallowed	<u>\$ 6,116</u>	
Training Costs Allowed	<u><u>\$2,040,401</u></u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Training records maintained by NTMA Training Centers Of Southern California (NTMA) do not support the minimum training hours required for one Job No. 1 trainee. As a result, we disallowed \$3,058 in training costs claimed for these trainees.

Training Hours Requirement Not Met

Title 22 California Code of Regulations (CCR), Section 4442(b) requires Contractor to maintain and make available records that clearly document all aspects of training. All classroom/laboratory training records must include hours of attendance and dates of training, be certified daily by the instructor during training, signed (or initialed) daily by the trainee, and signed by the trainer for each type of training.

Paragraph 2(b) of the Agreement between NTMA and ETP states, “Each trainee should complete 100% of the required Class/Lab videoconference training hours. The Panel will not reimburse the Contractor for a trainee who does not complete a minimum 80% of the required Class/Lab and videoconference training.”

The Agreement required that trainees placed in Job No. 1 attend 143 hours of class/lab training. However, supported training hours for Trainee No. 2 were less than 80 percent of the class/lab training hours required due to absences from seven training sessions that occurred on February 28, March 7, March 19, March 21, March 28, April 30, and May 23, 2007. These training sessions were for 4.5 hours each and were not made-up by the trainee. Total unsupported hours for these absences = 31.5 hours. NTMA’s representative stated trainees are allowed to attend make-up sessions, but NTMA training records show Trainee No. 2 attended only one make-up session on May 8, 2007 for an absence that had occurred on March 14, 2007.

Finding No. 1 (Table A) included below shows the results of our testing for Trainee No. 2.

Trainee No.	Job No.	Required Training Hours	Supported Training Hours	Percentage of Training Supported
2	1	143	112.5	79%

Recommendation NTMA must return \$3,058 to ETP. In the future, the Contractor should ensure that training records support that all trainees complete training hour requirements before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – NTMA received reimbursement for one Job No. 2 trainee who did not meet post-training retention requirements specified in the Agreement. As a result, we disallowed \$3,058 in training costs claimed for this trainee. Noncompliance with full-time post-training retention requirements was previously disclosed in our audit of ETP Agreement No. ET03-0275.

Post-Training
Retention
Requirement Not
Met

Exhibit A, paragraph VII. A of the Agreement states, “Each trainee must be employed full time, at least 35 hours per week with a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training.”

NTMA training records show Trainee No. 1 completed training from July 22, 2006 through December 2, 2006. NTMA reported that Trainee No. 1 earned \$15.50 per hour, and completed a 90-day retention period from December 3, 2006 through March 3, 2007 with the participating employer, Aerofit, Inc. However, in response to an Employment Verification Questionnaire, Trainee No. 1’s reported employer, Aerofit, Inc., stated that Trainee No. 1 no longer worked for Aerofit, Inc. Employment Development Department (EDD) Base wage information supports this fact since wages were not reported to EDD by Aerofit, Inc. past September 30, 2006. Furthermore, this reported employer could not confirm a termination date or reason for separation for Trainee No. 1.

However, EDD base wage reports do show wages reported by another employer for Trainee No. 1 beginning in the 3rd quarter of 2006 (July 1 – September 30, 2006). EDD employer tax account information does not indicate the reported employer and this subsequent employer are related. Some wages also appear for this employer through the 1st quarter of 2007 (January 1 – March 31, 2007). However, the amount of these reported wages does not support full-time employment during the reported retention period. In addition, no subsequent wages appear to have been paid in California after the 1st quarter of 2007.

Therefore, based on the information noted above, Trainee No. 1 did not complete a 90-day retention period with the single participating employer immediately following training, nor does EDD base wage information support this trainee worked full-time with the subsequent employer within the term of the Agreement. Thus, Trainee No. 1 did not meet post training retention requirements and is disallowed.

Recommendation NTMA must return \$3,058 to ETP. In the future, the Contractor should ensure that trainees complete post-training retention requirements before claiming reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 3 – Trainee hourly wage rates reported by NTMA on invoices submitted to ETP were inaccurate. As a result, the Contractor did not comply with Agreement reporting requirements.

Inaccurate
Reporting

Paragraph 2(d) of the Agreement states, “Contractor shall submit invoices and necessary statistical data to ETP in a form and manner prescribed by ETP.” Actual, complete trainee wage rate information is required to verify compliance with Exhibit A, paragraph VII.A of the Agreement. This section states, “Each trainee must be employed full time... for a period of at least ninety (90) consecutive days immediately following the completion of training... Wages at the end of the 90-day retention period shall be equal to or greater than the wages listed in [the Agreement].”

We documented actual trainee wage rates based on employer responses for 44 of the 68 initial random sample trainees for whom Employment Verification Questionnaires were mailed. Trainee wage rates reported by NTMA varied by 5 percent or more from actual wage rates for 17 of the 44 trainees (39 percent).

Recommendation In the future, NTMA should ensure all trainee wage rate data submitted to ETP is accurate and complete. Inaccurate or incomplete data may result in repayment of unearned funds, plus applicable interest, to ETP.

ATTACHMENT A – Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006